



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

January 10, 2006

Mark Birdwhistell, Secretary
Cabinet for Health and Family Services
275 East Main Street, 5WA
Frankfort, Kentucky 40621

RE: Analysis of Assistance Program Data

Dear Secretary Birdwhistell:

As you are aware, the State Auditor's Office expanded audit procedures at the Cabinet for Health and Family Services (CHFS) as part of the annual Single Statewide Audit of Kentucky (SSWAK). The decision to further scrutinize CHFS operations resulted from verified reports of fraud committed by CHFS employees and prior year SSWAK findings. These expanded audit procedures were communicated to CHFS officials who pledged to fully cooperate with this office. The objectives of the expanded procedures were to evaluate certain processes, analyze certain program data to identify potentially high-risk activity that may warrant further investigation, and to make recommendations to improve program controls as necessary.

In April 2004, the Office of the Attorney General (Attorney General) released a letter to Governor Ernie Fletcher discussing known cases of fraud perpetrated by caseworkers within CHFS. The most notable case concerned a single caseworker defrauding the Commonwealth of Kentucky of approximately \$430,000. The Attorney General requested assistance from Governor Fletcher to expedite its requests made to CHFS relating to the Attorney General's ongoing investigation into caseworker fraud.

On April 24, 2005, a newspaper article stated, "[i]n the last three years, 13 state welfare caseworkers embezzled more than half a million dollars that was intended to help poor and disabled Kentuckians." This article also referenced statements made by the Attorney General's Office that CHFS officials had not performed an internal audit of certain social-assistance programs that was requested by the Attorney General. However, CHFS stated that they had provided all requested information to the Attorney General.

As a result of these issues, the State Auditor decided to perform additional audit procedures to identify lax or weak program controls and to report transactions that appeared to potentially be at high risk for abuse. On September 27, 2005, this office provided the CHFS Inspector General with detailed interim results of testing completed for the Family Alternative Diversion and Special Circumstances Programs. We also provided this information to the Attorney General's Office on October 17, 2005, for further investigation.



Presented below are the scope, methodology, and results of this data analysis performed for specific assistance programs administered by CHFS. Recommendations to strengthen process controls are also included. Exhibit A summarizes the results of specific data analysis performed by test area.

Scope

To ensure the objectives of the expanded audit procedures were accomplished, members of this office met with representatives from CHFS and the Attorney General's Office to gather an understanding of work that may have already been performed and to inquire about any areas of concern. The Attorney General's Office provided documentation from prosecuted cases identifying the fraud that was committed and the types of payments involved. As a result of our discussion and review of that documentation, seven program systems were determined to be of greatest concern for testing purposes:

- Family Alternative Diversion (FAD)
- Kentucky Transitional Assistance Program (KTAP)
- Special Circumstances Payments [inclusive also of KTAP Incentive Bonus Payments and issuance of some Medical Assistance Cards]
- System Tracking Employability Program (STEP) [inclusive also of Supportive Services Payments (SSP), Relocation Assistance Program (RAP), and Work Incentives (WIN)]
- State Supplemental
- Medical Assistance
- Food Stamps (EBT)

See Exhibit B for a brief description of these programs.

The Auditor's Office requested CHFS to provide the data pertaining to these systems for the period July 1, 2004 through June 30, 2005. To perform data analysis to assist in identifying areas of higher risk for misappropriation of funds, the test procedures were developed and initiated for specific systems as described below:

1. A comparison of benefit payments to the Personnel Cabinet's P1 History File for employees within Community Based Services (CBS)

The objective of this data match is to identify employees who work for the agency that provide a certain benefit and who also receive that benefit. The concern is that an individual employed by CHFS CBS may have adequate knowledge of systems and processes to acquire the benefits when he or she is not actually eligible to receive the benefits.

Therefore, the first testing procedure developed was to match system data to the Personnel P1 History File to identify benefit payments paid to an employee of CHFS CBS or being sent to the home address of a CHFS CBS employee. The Personnel P1 History File contains certain information pertaining to each state employee, including the employee's address and classification. This test was performed for the following systems:

- Family Alternative Diversion (FAD)
- Kentucky Transitional Assistance Program (KTAP)
- Special Circumstances Payments [inclusive also of KTAP Incentive Bonus Payments and issuance of some Medical Assistance Cards]
- System Tracking Employability Program (STEP) [inclusive also of Supportive Services Payments (SSP), Relocation Assistance Program (RAP), and Work Incentives (WIN)]
- State Supplemental
- Medical Assistance

2. A comparison of benefit payments to the CHFS Vital Statistics Death Certificate File

In examinations performed in previous years, this office identified instances of deceased individuals who continued to receive benefits for a period of time. If a family member or other party does not inform the agency of the individual's death, certain types of benefits can be received without requiring the individual to physically enter a CBS office. This creates a heightened risk that a family member or other party who is aware of the death could exploit the situation. Also, an employee could potentially be notified of a benefit participant's death and take advantage of the situation for personal benefit.

The second testing procedure developed was a data match of the benefit participant's social security number (SSN) contained in the system data to the Vital Statistics Death Certificate File. Included in this test is a match of the main beneficiary for a case and any additional members associated with the case. For this test, approximately the last 17 years of Death Certificate records were used. Because the Death Certificate records could contain errors that might provide false positive test results, we attempted to verify the data matches to the on-line Social Security Death Index (SSDI). The Social Security Administration maintains the SSDI. This test was performed for the following systems:

- Family Alternative Diversion (FAD)
- Kentucky Transitional Assistance Program (KTAP)
- Special Circumstances Payments [inclusive also of KTAP Incentive Bonus Payments and issuance of some Medical Assistance Cards]

- System Tracking Employability Program (STEP) [inclusive also of Supportive Services Payments (SSP), Relocation Assistance Program (RAP), and Work Incentives (WIN)]
- State Supplemental
- Medical Assistance
- Food Stamps

3. Identify benefit payments mailed to an address outside the state of Kentucky

A potential concern exists when a benefit participant is identified as living in one state and yet the benefit is mailed to another state. Although there may be a valid reason that a state would provide benefits to an individual with a mailing address outside the state borders, any instances of this type of payment may warrant further investigation.

Therefore, the third testing procedure developed an extract from system data of all records where the home, mailing, or payment address was located outside the Commonwealth of Kentucky. Because payments may be made to vendors that have remittance addresses outside the state of Kentucky, we excluded from the population any payments that appeared to be made to a legitimate vendor. This test was performed for the following systems:

- Family Alternative Diversion (FAD)
- Kentucky Transitional Assistance Program (KTAP)
- Special Circumstances Payments [inclusive also of KTAP Incentive Bonus Payments and issuance of some Medical Assistance Cards]
- System Tracking Employability Program (STEP) [inclusive also of Supportive Services Payments (SSP), Relocation Assistance Program (RAP), and Work Incentives (WIN)]
- State Supplemental
- Medical Assistance
- Food Stamps

4. Identify more than one benefit payment being made to the same address for the same benefit type and same benefit cycle

While reviewing the documentation provided to this office by the Attorney General pertaining to fraud cases, it was noted that one of the methods used to commit the fraud was that several checks were issued to the same address within the same billing cycle.

Therefore, the fourth testing procedure developed was an extract from system data of all records where more than one payment was made to a home, mailing, or payment address for the same benefit type and same benefit cycle. This test was performed for the following systems:

- Family Alternative Diversion (FAD)
- Kentucky Transitional Assistance Program (KTAP)
- Special Circumstances Payments [inclusive also of KTAP Incentive Bonus Payments and issuance of some Medical Assistance Cards]
- System Tracking Employability Program (STEP) [inclusive also of Supportive Services Payments (SSP), Relocation Assistance Program (RAP), and Work Incentives (WIN)]
- State Supplemental

Because of the nature of the data within certain systems, variations of this test were created for the following systems:

- For FAD, KTAP, and State Supplemental, criteria was included that required payments to be for the same case. This decision was made because payments from these systems are typically paid to companies who could validly receive payments from several different cases for the same type of benefit and same benefit cycle. Problems could exist if these companies were receiving the payments for the same case, the same benefit type, and the same benefit cycle.
- For STEP payments, no limit existed for the number of payments that could be received by a participant during a particular period; however, the two payment types limited in the total amount that could be paid for a month are Work Incentives (WIN) and Transportation payments. Therefore, the test was limited to review only WIN and Transportation payments and included the criteria of the total payments for the payment cycle to exceed the dollar limit for the particular payment type.

5. Identify more than one benefit payment made to the same payee or case for the same benefit type and cycle

Another pattern identified while reviewing documentation of fraud cases was that several checks were being issued to the same payee name within a similar time span, regardless of whether it was for the same case.

Therefore, the fifth testing procedure developed was an extract from system data of all records where more than one payment was made to the same payee or case for the same benefit type and cycle. This test was performed for the following systems:

- Family Alternative Diversion (FAD)
- Kentucky Transitional Assistance Program (KTAP)
- Special Circumstances Payments [inclusive also of KTAP Incentive Bonus Payments and issuance of some Medical Assistance Cards]
- System Tracking Employability Program (STEP) [inclusive also of Supportive Services Payments (SSP), Relocation Assistance Program (RAP), and Work Incentives (WIN)]
- State Supplemental

Because of the nature of the data within certain systems, variations of this test were created for the following systems:

- For FAD payments, it was noted that due to a policy change in July 2004, payments were no longer to be paid directly to the case participant. However, it is acceptable, where necessary, for a payment to be issued to two parties, the case participant and the vendor, to ensure payments are properly posted to the case participants with a vendor account. Approximately seven percent of FAD payments during FY 2005 were written to two parties. Therefore, it was anticipated that the majority of the payments would be made to companies as opposed to individuals. To show this type of designation, the test results were separated between those payees that appeared to be companies and those that appeared to be individuals.
- For STEP payments, no limit existed for the number of payments that could be received by a participant during a particular period; however, the two payment types limited in the total amount that could be paid for a month are Work Incentives (WIN) and Transportation payments. Therefore, the test was limited to review only WIN and Transportation payments and included the criteria that total payments for the cycle must exceed the dollar limit for the particular payment type.

6. Identify those benefit payments where the payment address is different from the mailing address for the case

During the review of the information provided to this office by the Attorney General pertaining to one fraud case, it was noted that one method used to perform the fraud was to associate a benefit with a valid case, but the subsequent check would be mailed to an address other than the home or mailing address in the system for the case.

Therefore, the sixth testing procedure developed was an extract from system data of all records where the payment address was different from the mailing address. This test was performed for the following systems:

- Family Alternative Diversion (FAD)
- Kentucky Transitional Assistance Program (KTAP)
- Special Circumstances Payments [inclusive also of KTAP Incentive Bonus Payments and issuance of some Medical Assistance Cards]
- System Tracking Employability Program (STEP) [inclusive also of Supportive Services Payments (SSP), Relocation Assistance Program (RAP), and Work Incentives (WIN)]
- State Supplemental
- Medical Assistance

Because of the nature of the data within certain systems, variations of this test were created for the following systems:

- For FAD payments, as noted above, because of the change in policy during July 2004, payments were no longer to be made directly to the case participant. The formal policy concerning this change went into effect on July 5, 2004, and a computer system edit was implemented on September 21, 2004, that should not allow payments to be made to the participant. Two-party payments are still allowed and these payments would be sent to the participant's address. The remaining payments, approximately 93 percent of the FAD payments during FY 2005, should be mailed directly to a vendor. Therefore, for FAD payments, the existence of a vendor payment issued to the same address as the case mailing address would be a concern. Further, to specifically address whether any records meeting this criterion occurred after the computer system change implementation date, the records were separated into groups of payments occurring prior to September 21, 2004, and of payments occurring on or after September 21, 2004.
- For STEP payments, information was used, if available, from KTAP records to determine whether the payment address was a valid home or mailing address during the year for the case. When this test was first performed for STEP payments, a significant number of exceptions were noted. Through discussions with agency staff, we determined that due to the timing of when STEP payment records were extracted the program participant's home address may not have accurately reflected the address of the participant at the time the payment was made. To ensure that exceptions resulting from this test were properly reported, additional available KTAP information was used to identify any payment made to a valid address for the case. Therefore, exceptions include only those payments that could not be matched to a known address.

7. Additional testing performed on FAD system data

Two additional tests were performed on FAD data during this project.

First, according to 921 KAR 2:500, Family Alternatives Diversion or “FAD,” an individual is allowed to only claim up to \$1,300 in benefit payments within a three-month period. Further, an individual can only be approved for FAD once in a 24-month period. Therefore, since CHFS provided one year of FAD data, no cases within the data could have received FAD benefits more than once. Therefore, it was decided to review the data to determine whether any individual cases had cumulative payments for the year that exceeded \$1,300.

Second, through the review of the FAD data in other testing areas, it was noted that certain companies were being paid for benefits associated with multiple types of need. To ensure that these benefits appeared reasonable based on the apparent business of the company, a summary of all FAD payments was prepared by payee and need type to identify anomalies. For example, an unreasonable payment designation would be an instance where a utility company was paid not only for utilities, but also for rent, car repair, or childcare.

8. Additional testing performed on STEP system data

Two additional tests were performed for the STEP program.

First, during the review of records where payment addresses did not match the case mailing address, an unusual situation was identified where several payments were sent directly to a particular CBS office. This practice is not commonplace and appears to warrant further investigation. A review revealed that all records in question were related to the same caseworker. Because of the unusual nature of these payments, this information will specifically be brought to the attention of CHFS and the Attorney General. Further, all other payment records associated with the caseworker were extracted.

Second, according to 921 KAR 2:017, Kentucky Works supportive services, “[t]he payment maximum for total car repair expenditures shall be \$500 per year per eligible family.” It is possible that during the one year of STEP data provided by CHFS an individual family could receive over \$500 if payments spanned two 12-month periods. However, those records where cumulatively a family received more than \$500 should be scrutinized to ensure that the individual did not receive in excess of \$500 for car repairs. Therefore, records were extracted where individual cases whose cumulative car repair payments for the year exceeded \$500.

9. Total population summaries on the system data

Summaries of the total system data populations were developed and will be provided to CHFS and the Attorney General's Office. These summaries may be useful in identifying trends not necessarily apparent from the specific data matches performed. There were two summaries developed. The first summary lists all counties in which particular system data was processed along with a summary of the number of caseworkers, the number of cases worked, and the total amount of payments issued within the county. The second summary lists all counties and the related caseworker identification numbers and names where the particular system data was processed along with a summary of the number of cases worked and the total amount of payments issued by each caseworker.

These total population summaries were performed for the following systems:

- Family Alternative Diversion (FAD)
- Kentucky Transitional Assistance Program (KTAP)
- Special Circumstances Payments [inclusive also of KTAP Incentive Bonus Payments and issuance of some Medical Assistance Cards]
- System Tracking Employability Program (STEP) [inclusive also of Supportive Services Payments (SSP), Relocation Assistance Program (RAP), and Work Incentives (WIN)]
- State Supplemental
- Medical Assistance

Because we were provided all records associated with Medical Assistance, a significant percentage of the records did not have a payment associated with the record. Therefore, to develop the summary of the population for the Medical Assistance payments, records were extracted when a payment was actually issued and the population summaries were based on these records.

10. An analysis of test results to determine multiple appearances of program participants or caseworkers

Transactions that met the testing criteria stated in one through nine above were aggregated into a single population to identify whether program participants or caseworkers appeared in more than one system or testing area. The results of this analysis may assist in determining the initial focus of further investigations.

Methodology

Because of the volume of system data and the complexity involved in working with this data to perform these expanded procedures, information began to be gathered regarding system data in early June 2005. This process was necessary to ensure sufficient time to extract this data.

To develop the specific request for data for each of the seven systems examined, this office had several discussions with personnel in the CHFS Office of Information Technology (OIT). Subsequent to these discussions, OIT provided test files of each system's data to ensure that the layout and fields were acceptable for testing purposes. After our review and acceptance of these files, OIT produced files for the fiscal year 2005 for all systems on or before July 13, 2005.

The OIT provided the full twelve-month period of data for all systems with the exception of Special Circumstances. The Special Circumstance data was provided before the end of June 2005; therefore, the data included only July 2004 through May 2005. Due to the small population of Special Circumstance payments made each month and the fact that 11 months were available for review, no additional request was made for the last month of data.

All of the data files were provided to this office through the mainframe located within the Commonwealth Office of Technology (COT). Using mainframe utilities, copies of the data were created for test purposes. Based on the size of the total population of records for a system, a copy of the data may have been imported into a Microsoft (MS) Access database for ease of testing. Those systems where the total population was imported into Access were:

- Family Alternative Diversion (FAD) – 8,277 records
- Kentucky Transitional Assistance Program (KTAP) – 386,843 records
- Special Circumstances Payments [inclusive also of KTAP Incentive Bonus Payments and issuance of some Medical Assistance Cards] – 25,111 records
- System Tracking Employability Program (STEP) [inclusive also of Supportive Services Payments (SSP), Relocation Assistance Program (RAP), and Work Incentives (WIN)] – 126,379 records
- State Supplemental – 18,109 records

Due to the excessive size of the files for the Medical Assistance and Food Stamps systems, it was decided that the main testing for these systems would be performed on the mainframe. The Medical Assistance files contained 2,586,347 records and the Food Stamps files contained 2,626,515 records.

Additionally, to complete the Death Certificate match testing area, requests were made to the Department for Vital Statistics (DVS), OIT, and COT in order to gain access to the necessary data. The annual Death Certificate files were made available through the mainframe and a COT operator provided record counts for each of the files. For the period 1989 through 2005, there were 628,195 Death Certificate records maintained by DVS.

To perform the matching and data analysis related to the planned testing procedures, several different computer automated testing techniques were used. For the data reviewed on the mainframe, various utilities were used to sort, match, and analyze data. For the data imported into MS Access, a variety of queries were designed to specifically provide results based on testing criteria. Also, to easily review data and to create summaries, several MS Excel application functions were used.

Data Match Results

The thousands of records resulting from these data analysis procedures are summarized in a matrix attached to this letter in Exhibit A. This matrix is designed to document the results for each testing procedure by system reviewed. This matrix identifies the tests performed, the number of records that met the test criteria, and additional information detailing the results of this analysis.

The Auditor's Office is in no way asserting that the records identified resulting from these expanded audit procedures are instances of fraud or abuse. The purpose of this work was to identify areas or specific transaction activity that could possibly be at risk for abuse and may warrant further investigation. In addition to interim test results provided to CHFS on September 27, 2005, and to the Attorney General's Office on October 17, 2005, a summary and detailed results from the remaining systems will be provided to CHFS and the Attorney General's Office.

Findings and Recommendations

Through review of policies and other documentation and in discussion with certain CHFS program managers and supervisors, it was determined that CHFS had implemented certain control procedures regarding program benefit expenditures. These controls include the processes identified below.

- A monthly data match is performed between program benefit expenditures and vital statistics death certificate records.
- Certain system edits exist to limit benefit expenditures to comply with program limitations.
- Monthly Special Circumstance Payment listings are generated to identify all special circumstance payments related to KTAP, Kinship Care, and State Supplementation programs issued by workers the previous month. These reports are to be reviewed by a Regional Program Specialist or other designated regional employee to ensure procedures were followed and that benefit payments were appropriate.
- Formal procedures exist that should be followed by CHFS employees when a benefit check is mailed to a local office.

Testing performed during this data analysis identified the opportunity to strengthen CHFS control processes to further scrutinize program benefit payments.

We recommend CHFS and the Attorney General's Office use test results to focus further investigation of these transactions for potential fraud and abuse.

Further, recommendations made to CHFS to strengthen control processes are presented below.

Additional Resource

To ensure that the following recommendations to initiate additional control procedures are implemented, we recommend that a resource be dedicated to perform the procedures detailed below for systems including:

- Family Alternative Diversion (FAD)
- Kentucky Transitional Assistance Program (KTAP)
- Special Circumstances Payments [inclusive also of KTAP Incentive Bonus Payments and issuance of some Medical Assistance Cards]
- System Tracking Employability Program (STEP) [inclusive also of Supportive Services Payments (SSP), Relocation Assistance Program (RAP), and Work Incentives (WIN)]
- State Supplemental
- Medical Assistance
- Food Stamps (EBT)

An individual centrally located in the OIT should be tasked with performing the data analysis described below to strengthen the control procedures for these programs. This employee should be provided assistance, when needed, from various system analysts and programmers in order to gain an understanding of the complexities of these systems and how to refine analysis procedures, when appropriate.

Match of P1 Information to Benefits

Only a manual review process exists in each region that attempts to identify benefits provided to employees of CBS or mailed to the employees' home addresses. We recommend that an automated process be developed using Personnel P1 file data available to match against program benefit payments. We recommend a formal automated data match be performed between the P1 file and the program case social security number and a data match to compare the P1 home address and program case payment address. Further, we recommend at a minimum that this process be performed monthly.

The P1 information file is updated daily, so an automated process could be performed as frequently as deemed necessary. The results of this procedure could be organized by region or specific offices and distributed for follow-up and response to the central office.

Cases or Benefits Outside of Kentucky

An automated process does not exist within the systems to identify addresses outside the state of Kentucky. During a prospective participant's original interview, the individual is asked whether he or she is a resident of Kentucky. The participant's answer to this question is entered into the system. If this answer is "No," then the system will not process a claim. However, there is no edit to review for mailing or payment addresses outside the state.

We recommend that the agency create a series of automated processes that would first identify those cases with the home or mailing address outside the state of Kentucky and then identify benefits mailed to an address outside of Kentucky. This process will require a manual review after the results are gathered to cull out those records sent to vendors whose remittance address is outside the state. This additional review should be performed because payments to vendors with an address outside of Kentucky are not unusual and may not be of primary interest.

This automated process could be performed as frequently as deemed necessary. We recommend at a minimum that this process be performed monthly. The results could be organized by region or specific offices and distributed for follow-up and response to the central office.

Multiple Benefits For Same Type and Cycle

An automated process does not exist within the systems to identify multiple payments to the same individual for same benefit type and cycle. We recommend that a series of automated processes be developed to identify individuals receiving multiple benefits for the same benefit type and cycle. To determine the multiple payments we recommend using three primary criteria to identify multiple payments for the same benefit type and cycle: 1) the same address, 2) the same payee name, and 3) the same case number.

This automated process should be performed as frequently as deemed necessary. We recommend that this process be performed on a monthly or on a cyclical basis. The results of this process could be organized by region or specific offices and distributed for follow-up and response to the central office.

Payments Sent to CBS Office

An automated process does not exist within the systems to identify payments sent to CBS offices. We recommend that the agency create an automated process to identify all payments from the systems that are sent to a field office address. Although it is acceptable in some cases for a case recipient's payment to be mailed to the CBS office, it is not the usual process and, therefore, CBS Operation Manual details additional controls to be followed. All payments sent to a CBS office should be reviewed to ensure that appropriate procedures are being followed.

This automated process could be performed as frequently as deemed necessary. We recommend at a minimum this process be performed on a monthly basis. The results could be organized by region or specific offices and distributed for follow-up and response to the central office.

FAD Benefits Over \$1,300

System edits exist within the system that should not allow a case recipient's benefits in FAD to exceed the \$1,300 limit within a three-month period. However, our testing found two cases where the \$1,300 limit was exceeded. We recommend that these specific cases be scrutinized to determine the reasons that they were allowed to exceed the \$1,300 limit. If the system allowed for this overpayment due to a flaw in the edits, then the edits should be modified to disallow a requested claim over \$1,300. If a supervisor or caseworker overrode the edit to force the overpayment, the issue should be evaluated to determine the appropriate action to be taken.

We also recommend that the agency create an automated process to review all cumulative FAD payments for a case on a periodic basis to determine whether the amount exceeded the \$1,300 limit. Any instances identified should be scrutinized by region or specific office and given to the central office for review.

STEP Car Repair Benefits Over \$500

System edits exist that should not allow a case recipient's car repair benefits in STEP to exceed the \$500 limit per year. However, our testing revealed cases where the \$500 per year limit was exceeded. We recommend that these specific cases be scrutinized to determine the reasons that they were allowed to exceed the \$500 limit. If the system edit allowed this over-expenditure to occur, then the edit should be modified to disallow a requested claim over \$500. If a supervisor or caseworker overrode the edit to force the over payment, then the issue should be evaluated further to determine the appropriate action that should be taken.

We also recommend that the agency create an automated process to review all cumulative STEP car repair payments by case on a periodic basis to determine whether the amount exceeds the \$500 limit. Any instances found of an overpayment of benefits should be further examined by the regions or specific office and a response provided to the central office.

STEP Work Incentive Benefits Over \$130

System edits exist in the system that should not allow a case recipient's Work Incentive (WIN) benefits in STEP to exceed the \$130 limit per month. However, testing identified cases where the limit was exceeded. We recommend that these specific cases be scrutinized to determine the reasons that benefits were allowed to exceed the \$130 limit. If the system edit allowed for this overpayment, then the edit should be modified to disallow a requested claim of over \$130. If a supervisor or caseworker overrode the edit to force the over payment, then the issue should be evaluated further to determine the appropriate action that should be taken.

We also recommend that the agency create an automated process to review all cumulative STEP WIN payments by case on a periodic basis to determine whether the amount exceeded the \$130 limit. Any instances found of an overpayment of benefits should be further examined by the regions or specific office and a response provided to the central office.

STEP Transportation Benefits Over \$60

System edits exist in the system that should not allow a case recipient's Transportation benefits in STEP to exceed the \$60 limit per month. However, testing identified cases where the limit was exceeded. We recommend that these specific cases be scrutinized to determine the reasons that benefits were allowed to exceed the \$60 limit. If the system edit allowed for this overpayment, then the edit should be modified to disallow a requested claim over \$60. If a supervisor or caseworker overrode the edit to force the overpayment, then the issue should be further evaluated to determine the appropriate action that should be taken.

During the completion of these audit procedures, it was found that the maximum limit for Transportation benefits in STEP was going to be changed effective January 1, 2006. As of that date, the overall maximum benefit was changed to \$100. Therefore, we recommend that the agency create an automated process to review all cumulative STEP Transportation payments by case on a periodic basis to determine whether the amount exceeded the designated maximum limit for the time period. Any instances found of an overpayment of benefits should be examined by region or specific office and a response provided given to the central office.

Total Population Analysis

Until March 2005, an individual within the Division of Financial Management produced a trend data report for those programs related to Temporary Assistance for Needy Families. However, this individual left the division and the trend data report was no longer produced. Further, no other analysis is performed within the systems to summarize information for managerial review purposes.

We recommend that an automated process be created to analyze the total population of payments for each system. This process would provide an excellent management tool to identify anomalies for further review. These analyses should include, but are not limited to:

- a report of total number of cases, total number of caseworkers, total number of records processed, and total benefit payments by county.
- a report of total number of cases, total number of records processed, and total benefit payments by county and caseworker.

This type of automated process could be performed as frequently as deemed necessary. We recommend at a minimum that this process be performed monthly. The results could be organized by region or specific offices and the information could be reviewed by both regional and central office staff.

Secretary Birdwhistell
January 10, 2006
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This letter will also be provided to the Auditor of Public Accounts Financial Audit Division to determine whether these findings and recommendations impact the Single Statewide Audit of Kentucky that is performed annually.

We appreciate the cooperation received from CHFS management and staff that provided assistance while performing these procedures.

Sincerely,

A handwritten signature in dark ink, reading "Brian Lykins". The signature is written in a cursive style with a large, stylized "B" and "L".

Brian Lykins, Director
Division of Examination and Information Technology

BL:kct

cc: David Fleenor, CHFS General Counsel
Robert Benvenuti, CHFS Inspector General

EXHIBIT A

Exhibit A

SUMMARY OF RECORDS MEETING TESTING CRITERIA NOTED BY TESTING AREA, SYSTEM, AND SUMMARY OF CASES, PAY WORKER IDS, PAY APPROVER IDS, AND COUNTIES (SYSTEM DATA INCLUDES ALL FY 2005, UNLESS SPECIFICALLY NOTED)

System	Specific Exceptions Noted	Number of Cases Associated with Exceptions	Number of Case Workers Entering Data	Number of Case Workers Approving Data	Number of Counties where Exceptions were Noted
A comparison of benefit payments to the Personnel Cabinet's P1 History File for employees within Community Based Services (CBS)					
FAD (Family Alternative Diversion)	44 benefit payment exceptions were noted, see a breakout of these payments below: <ul style="list-style-type: none"> - 8 benefit payments where the P1 Street Address matched the Case Address, but the associated Case Name and Case Number did not match the P1 Name and SSN - 17 benefit payments where the P1 SSN matched the Case Number, but the associated Case Address did not match the P1 Street Address - 19 benefit payments where the P1 SSN matched the Case Number and the P1 Street Address matched the Case Address 	9	9	12	8
KTAP (Kentucky Transitional Assistance Program)	557 benefit payment exceptions were noted, see a breakout of these payments below: <ul style="list-style-type: none"> - 295 benefit payments where the P1 SSN matched the Case Number and the P1 Street Address matched the Case Address and Check Address - 23 benefit payments where the P1 SSN matched the Case Number, but the associated Case Address and Check Address did not match the P1 Street Address - 67 benefit payments where the P1 Address equals the case, mailing, and payment address and the individual worked for the state during the effective period of the benefit, but the P1 SSN did not match the Case Number. - 23 benefit payments where the P1 Address equals the case address and the individual worked for the state during the effective period of the benefit; however, the mailing and payment address do not match the P1 Address. - 23 benefit payments where the P1 Address equals the part of the case address and the individual worked for the state during the effective period of the benefit ; however, the PO Box or Apartment number is not available on either the P1 address or KTAP address to discount or confirm this as the same address. - 126 benefit payments where the P1 Address equals the mailing and payment address and the individual worked for the state during the effective period of the benefit, but the P1 SSN and Address did not match the Case Number and Case Address. 	98	103	N/A	45
Special Circumstances (inclusive also of KTAP Incentive Bonus Payments and issuance of some Medical Assistance Cards) [Data provided was for the period July 2004 through May 2005]	8 benefit payment exceptions were noted, see a breakout of these payments below: <ul style="list-style-type: none"> - 1 benefit payment where the P1 Street Address matched the Case and Check Address, but the associated Case Number did not match the P1 SSN - 2 benefit payments where the P1 SSN matched the Case Number, but the associated Case Address and Check Address did not match the P1 Street Address - 5 benefit payments where the P1 SSN matched the Case Number and the P1 Street Address matched the Case Address and Check Address 	8	8	8	6
STEP (System Tracking Employability Program) [inclusive also of Supportive Services Payments (SSP), Relocation Assistance Program (RAP), and Work Incentives (WIN)]	160 benefit payment exceptions were noted, see a breakout of these payments below: <ul style="list-style-type: none"> - 82 benefit payments where the payment address matches the address on file for a state employee, and the individual was employed by the state as of the effective date of the payment - 1 benefit payment that is questionable, since an apartment number is not given for the STEP payment - 72 benefit payments that are questionable, since the payment address matches the address on file for a state employee, but the case number and case name is different - 5 benefit payments that are questionable, since the home address matches the address for an individual employed by CBS during some point of the year, however, this individual was employed by another agency at the time the payment was effective 	39	43	N/A	20
State Supplemental	- No Exceptions Found	N/A	N/A	N/A	N/A

Exhibit A

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System	Specific Exceptions Noted	Number of Cases Associated with Exceptions	Number of Case Workers Entering Data	Number of Case Workers Approving Data	Number of Counties where Exceptions were Noted
A comparison of benefit payments to the Personnel Cabinet's P1 History File for employees within Community Based Services (CBS) (Continued)					
Medical Assistance	<p>112 benefit payment exceptions were noted, see a breakout of these payments below:</p> <ul style="list-style-type: none"> - 20 benefit payments where the SSN and Home Address matched the P1 History SSN and Address and the individual was employed while these benefits were received - 2 benefit payments where the SSN and Mail Address matched the P1 History SSN and Address and the individual was employed while these benefits were received. - 3 benefit payments where the SSN did match the P1 History SSN, but neither the home, mail, or payment address matched the P1 information. The employee was employed by CBS while these benefits were received. - 24 benefit payments where, even though the P1 History Name and SSN did not match the benefit recipient information, an individual at this Home Address did receive benefits while there was a CBS employee with the same address. - 59 benefit payments where, even though the P1 History Name and SSN did not match the benefit recipient information, an individual at this Mail Address did receive benefits while there was a CBS employee with the same address. - 4 benefit payments where an employee with this Home Address was employed when the benefits were received; however, because the apartment, lot, etc., information was not available, we could not specifically discount these payments. 	40	42	N/A	24

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System	Specific Exceptions Noted	Number of Cases Associated with Exceptions	Number of Case Workers Entering Data	Number of Case Workers Approving Data	Number of Counties where Exceptions were Noted
A comparison of benefit payments to the CHFS Vital Statistics Death Certificate File					
FAD (Family Alternative Diversion)	FAD Case Number Matches [2 records shown as exceptions; both of these records had payments associated with them]	1	1	1	1
	FAD Member Number Matches [6 records shown as exceptions; all of these records had payments associated with them]	4	4	4	4
KTAP (Kentucky Transitional Assistance Program)	KTAP Case Number Matches [241 records shown as exceptions; all of these records had payments associated with them]	79	76	N/A	38
	KTAP Member Number Matches [4,951 records shown as exceptions; 4,949 of these records had payments associated with them]	666	520	N/A	105
Special Circumstances (inclusive also of KTAP Incentive Bonus Payments and issuance of some Medical Assistance Cards) [Data provided was for the period July 2004 through May 2005]	Special Circumstance Case Number Matches [25 records shown as exceptions; 4 of these records had payments associated with them]	22	21	20	12
	Special Circumstance Member Number Matches [2 records shown as exceptions; neither of these records had payments associated with them]	2	2	2	2
STEP (System Tracking Employability Program) [inclusive also of Supportive Services Payments (SSP), Relocation Assistance Program (RAP), and Work Incentives (WIN)]	STEP Case Number Matches [60 records shown as exceptions; all of these records had payments associated with them]	14	19	N/A	12
State Supplemental	State Supplemental Case Number Matches [109 records shown as exceptions; 106 of these records had payments associated with them]	57	47	N/A	34
	State Supplemental Member Number Matches [384 records shown as exceptions; 382 of these records had payments associated with them]	47	49	N/A	30
Medical Assistance	Medical Assistance Case Number Matches [8,333 records shown as exceptions; 71 of these records had payments associated with them]	3779	638	N/A	120
Food Stamps	Food Stamp Case Number Matches [7,416 records shown as exceptions; 7,412 of these records had payments associated with them]	2020	954	N/A	119

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System	Specific Exceptions Noted	Number of Cases Associated with Exceptions	Number of Case Workers Entering Data	Number of Case Workers Approving Data	Number of Counties where Exceptions were Noted
Identify benefit payments mailed to an address outside the state of Kentucky					
FAD (Family Alternative Diversion)	49 benefit payment exceptions were noted, see a breakout of these payments below: <ul style="list-style-type: none"> - 47 benefit payments where payment was made to an address outside of Kentucky and the related case individual had a home address in the state of Kentucky - 2 benefit payments where payment was made to an address outside of Kentucky and the related case individual had a home address outside the state of Kentucky - Provided to the agency separately are 1,000 benefit payments to vendors outside of Kentucky; the auditor did not consider these exceptions. 	38	31	29	25
KTAP (Kentucky Transitional Assistance Program)	248 benefit payment exceptions were noted, see a breakout of these payments below: <ul style="list-style-type: none"> - 223 benefit payments where payment was made to an address outside of Kentucky and the related case individual had a home address in the state of Kentucky, but a mailing address outside of Kentucky - 23 benefit payments where payment was made to an address outside of Kentucky and the related case individual had a home address and mailing address outside the state of Kentucky - 2 benefit payments where payment was made to an address inside the state of Kentucky, but the related case individual had a home address outside the state of Kentucky 	52	48	N/A	20
Special Circumstances (inclusive also of KTAP Incentive Bonus Payments and issuance of some Medical Assistance Cards) (Data provided was for the period July 2004 through May 2005)	- 4 benefit payments where payment was made to an address outside of Kentucky and the related case individual had a home address outside the state of Kentucky (an additional 2 payments were found associated with two of these cases that were for an in-state address)	3	3	4	2
STEP (System Tracking Employability Program) [inclusive also of Supportive Services Payments (SSP), Relocation Assistance Program (RAP), and Work Incentives (WIN)]	57 benefit payment exceptions were noted, see a breakout of these payments below: <ul style="list-style-type: none"> - 22 benefit payments where payment was made to an address outside of Kentucky and the related case individual had a home address in the state of Kentucky - 35 benefit payments where payment was made to an address outside of Kentucky and the related case individual had a home address outside the state of Kentucky - Listed separately are 1,421 benefit payments to vendors outside of Kentucky; the auditor did not consider these exceptions. 	40	39	N/A	24
State Supplemental	- 74 benefit payments where payment was made to an address outside of Kentucky and the related case individual had a mailing address outside the state of Kentucky, but the case home address was inside the state of Kentucky	12	13	N/A	12
Medical Assistance	92 benefit payment exceptions were noted, see a breakout of these payments below: <ul style="list-style-type: none"> - 82 benefit payments where payment was made to an address outside of Kentucky and the related case individual had a home address in the state of Kentucky, but a mailing address outside of Kentucky - 9 benefit payments where payment was made to an address outside of Kentucky and the related case individual had a home address and mailing address outside the state of Kentucky - 1 benefit payment where payment was made to an address inside the state of Kentucky, but the related case individual had a home address outside the state of Kentucky 	24	30	N/A	14

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System	Specific Exceptions Noted	Number of Cases Associated with Exceptions	Number of Case Workers Entering Data	Number of Case Workers Approving Data	Number of Counties where Exceptions were Noted
Identify benefit payments mailed to an address outside the state of Kentucky (Continued)					
Food Stamps	1,510 benefit payment exceptions were noted, see a breakout of these payments below: - 1,459 benefit payments where payment was made to an address outside of Kentucky and the related case individual had a home address in the state of Kentucky, but a mailing address outside of Kentucky - 48 benefit payments where payment was made to an address outside of Kentucky and the related case individual had a home address and mailing address outside the state of Kentucky - 3 benefit payments where payment was made to an address inside the state of Kentucky, but the related case individual had a home address outside the state of Kentucky	225	187	N/A	49

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System	Specific Exceptions Noted	Number of Cases Associated with Exceptions	Number of Case Workers Entering Data	Number of Case Workers Approving Data	Number of Counties where Exceptions were Noted
Identify more than one benefit payment being made to the same address for the same benefit type and same benefit cycle					
FAD (Family Alternative Diversion)	- 651 benefit payment exceptions where multiple payments were made to the same check address; for the same benefit type and benefit cycle; and related to the same case (excludes 310 exceptions already included in the G-39(VI) testing)	235	133	112	66
KTAP (Kentucky Transitional Assistance Program)	- No Exceptions Found	N/A	N/A	N/A	N/A
Special Circumstances (inclusive also of KTAP Incentive Bonus Payments and issuance of some Medical Assistance Cards) [Data provided was for the period July 2004 through May 2005]	197 benefit payment exceptions were noted, see a breakout of these payments below: - 169 benefit payments where multiple payments were made to the same check address, benefit, and cycle, and were related to the same case. - 28 benefit payments where multiple payments were made to the same check address, benefit, and cycle, and were related to different cases.	115	65	69	42
STEP (System Tracking Employability Program) [inclusive also of Supportive Services Payments (SSP), Relocation Assistance Program (RAP), and Work Incentives (WIN)]	- 4 benefit payments where there was more than one WIN payment made to this address for the same SSN and benefit month, but attributed to two separate cases in two counties. The cumulative amount of the payments was over the \$130 limit.	3	4	N/A	3
	- 2 benefit payments where there were WIN payments made for the same benefit month, case number, and SSN at the same address, but the case county was different. The cumulative amount of the payments was over the \$130 limit.				
	- 2 Transportation benefit payments made to the same SSN at the same address and the same benefit month, but the associated case number was different. The cumulative amount of the payments was over the \$60 limit.	18	14	N/A	7
	- 28 Transportation benefit payments where there was more than one Transportation payment made to the same address and benefit month but for a different Case Number and SSN. The cumulative amount of the payments was over the \$60 limit.				
State Supplemental	- 8 benefit payments where multiple payments were made to the same check address, benefit, and cycle, and were related to the same case	4	4	N/A	4

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System	Specific Exceptions Noted	Number of Cases Associated with Exceptions	Number of Case Workers Entering Data	Number of Case Workers Approving Data	Number of Counties where Exceptions were Noted
Identify more than one benefit payment made to the same payee or case for the same benefit type and cycle					
FAD (Family Alternative Diversion)	- 439 benefit payment exceptions where multiple payments were made to the same check payee; for the same benefit type and benefit cycle; related to the same case; and the vendor appeared to be a company	182	115	107	67
	- 71 benefit payment exceptions where multiple payments were made to the same check payee; for the same benefit type and benefit cycle; related to the same case; and the vendor appeared to be an individual	34	29	32	25
KTAP (Kentucky Transitional Assistance Program)	- No Exceptions Found	N/A	N/A	N/A	N/A
Special Circumstances (inclusive also of KTAP Incentive Bonus Payments and issuance of some Medical Assistance Cards) [Data provided was for the period July 2004 through May 2005]	- 14 benefit payment exceptions where multiple payments were made to the same check payee; for the same benefit type and benefit cycle; and related to the same case	7	9	8	7
STEP (System Tracking Employability Program) [inclusive also of Supportive Services Payments (SSP), Relocation Assistance Program (RAP), and Work Incentives (WIN)]	- 18 WIN benefit payments were found that when summarized by Case, SSN, and benefit month are inappropriate since they provide an amount over the benefit limit of \$130 for one cycle	9	12	N/A	9
	- 296 Transportation benefit payments were found that when summarized by Case, SSN, and benefit month are inappropriate since they provide an amount over the benefit limit of \$60 for one cycle	134	126	N/A	47
State Supplemental	- 814 benefit payment exceptions where multiple payments were made to the same check payee and for the same benefit type and benefit cycle	128	55	N/A	22

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System	Specific Exceptions Noted	Number of Cases Associated with Exceptions	Number of Case Workers Entering Data	Number of Case Workers Approving Data	Number of Counties where Exceptions were Noted
Identify those benefit payments where the payment address is different from the mailing address for the case					
FAD (Family Alternative Diversion)	61 benefit payment exceptions were noted, see a breakout of these payments below: - For the period July 1, 2004 through September 21, 2004, 19 benefit payments were identified where the check address matched the case address and the check was not 2-party. - Starting September 21, 2004 to date (data extends to June 28), 42 benefit payments were identified where the check address matched the case address and the check was not 2-party.	47	42	39	33
KTAP (Kentucky Transitional Assistance Program)	- No Exceptions Found	N/A	N/A	N/A	N/A
Special Circumstances (inclusive also of KTAP Incentive Bonus Payments and issuance of some Medical Assistance Cards) [Data provided was for the period July 2004 through May 2005]	- No Exceptions Found	N/A	N/A	N/A	N/A
STEP (System Tracking Employability Program) [inclusive also of Supportive Services Payments (SSP), Relocation Assistance Program (RAP), and Work Incentives (WIN)]	- 1,147 STEP benefit payments were identified where the case address and payment address do not match and the payee name does not appear to be a vendor	851	325	N/A	98
State Supplemental	- No Exceptions Found	N/A	N/A	N/A	N/A
Medical Assistance	- No Exceptions Found	N/A	N/A	N/A	N/A

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System	Specific Exceptions Noted	Number of Cases Associated with Exceptions	Number of Case Workers Entering Data	Number of Case Workers Approving Data	Number of Counties where Exceptions were Noted
Additional testing performed on FAD system data					
Additional Testing Area - Cases receiving over the limit of \$1,300 in a 24 month period	- 2 cases were found that had received more than the allowed \$1,300 from the date of application	2	2	3	2
Additional Testing Area - Vendors receiving payment types that appear unusual based on the vendor's business	- 80 benefit payment exceptions were noted where the payee was a vendor, but based on the payment type, the payment appeared to be for services or items outside the normal business of the vendor	42	28	25	17
Additional testing performed on STEP system data					
Additional Testing Area - Records associated with caseworker issuing payments that are being sent to CBS office	- During this review, it came to the auditor's attention that there were 41 payments being sent to a particular Community Based Services office. This practice is not commonplace and is, therefore, highly suspect. The auditor looked at the records and found that they were all being processed by the same case manager Id. A query was used to generate a listing of all STEP records processed by the case manager Id during the time frame. This query resulted in a population of 180 benefit payments.	68	1	N/A	1
Additional Test: Cumulative Payments for Car Repairs over \$500 limit per year per family	- 352 benefit payments associated with 130 cases that received over the specified limit of STEP Car Repair benefits (\$500 per family) during the period	130	113	N/A	55

Auditor Note #1:

The designation 'N/A' on this matrix refers to either the information does not exist or the data field being unpopulated in the associated system data.

Auditor Note #2:

A total of 963 caseworkers were identified as exceptions in more than one system or testing area as follows:

- 622 caseworkers were found in exception for 2 systems or testing areas
- 241 caseworkers were found in exception for 3 systems or testing areas
- 69 caseworkers were found in exception for 4 systems or testing areas
- 22 caseworkers were found in exception for 5 systems or testing areas
- 9 caseworkers were found in exception for 6 systems or testing areas

Auditor Note #3:

A total of 453 program participants were identified as exceptions in more than one system or testing area as follows:

- 409 program participants were found in exception for 2 systems or testing areas
- 37 program participants were found in exception for 3 systems or testing areas
- 7 program participants were found in exception for 4 systems or testing areas

EXHIBIT B

Exhibit B

Summary Description of Program Activity

Family Alternative Diversion (FAD)

Family Alternatives Diversion (FAD) is a program for K-TAP applicants who are self-supporting or could be self-supporting if a few short-term needs were met. They may receive FAD rather than receiving ongoing K-TAP benefits.

Kentucky Transitional Assistance Program (KTAP)

K-TAP is the monetary assistance program Kentucky established using federal funds from the Temporary Assistance for Needy Families (TANF) block grant. K-TAP is provided to families with dependent children who meet technical and financial criteria.

Special Circumstances Payments [inclusive also of KTAP Incentive Bonus Payments and issuance of some Medical Assistance Cards]

The Special Circumstance Payments are actually part of the KAMES system, and are used to provide exception based incentive bonuses, to correct an administrative error on a denied or discontinued case, to correct patient liabilities for a certain reason, or to provide limited retroactive payments, where applicable.

System Tracking Employability Program (STEP) [inclusive also of Supportive Services Payments (SSP), Relocation Assistance Program (RAP), and Work Incentives (WIN)]

The STEP program purpose is to improve participant's skills for employment through education and training. The assignments and progress of participants is monitored through the STEP system in cooperation with the providers. Payments are issued to the participants who have met the established requirements. Payments are issued for transportation, one-time work related expenses, and re-employment expenses.

State Supplemental

State Supplementation Payment (SSP) is permitted by federal regulation. Payments from state funds are available to aged, blind or disabled individuals who have insufficient income to meet special needs for care in a licensed personal care home (PCH), licensed family care home (FCH), or to purchase caretaker services (CS) to prevent institutionalization. Technical requirements of the SSI program for individuals who are aged, blind, or disabled must be met.

Medical Assistance

Medical Assistance Payments are derived from claims of those individuals eligible for the state to provide Medicaid benefits. These individuals are aged, blind, or disabled individuals who are categorically or medically in need. The program is administered in compliance with Title XIX of the Social Security Act and provides a wide scope of medical services.

Food Stamps (EBT)

The Food Stamp Program helps low-income individuals and families buy the food they need for good health. The amount of food stamps allowed is based on the U.S. Department of Agriculture's estimate of how much it costs to buy food to prepare nutritious, low-cost meals. Food stamps are only intended to supplement a family's food budget and households must spend some of their own cash along with their food stamps in order to buy sufficient food for a month.